

## Message Text

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ACTION EUR-12

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AMEMBASSY MADRID

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C O N F I D E N T I A L USNATO 2929

E.O. 11652: GDS

TAGS: MPOL, NATO, DPC

SUBJECT: DPC MINISTERIAL MEETING MAY 22, 1975: RESTRICTED SESSION:

EUROGROUP INITIATIVE ON STANDARDIZATION: AGENDA ITEM IV

1. AT OPENING OF RESTRICTED SESSION, AFTERNOON OF MAY 22, UK MOD MASON DELIVERED PREPARED STATEMENT ON EUROGROUP STANDARDIZATION INITIATIVE. HE SAID EUROGROUP MEMBERS, HEARTENED BY SECRETARY SCHLESINGERS STATEMENT RE TWO WAY STREET LAST DECEMBER AND BY HIS RECENT STANDARDIZATION REPORT TO CONGRESS, HAD ON 7MAY DECIDED TO SHIFT TO HIGHER GEAR IN APPROACHING QUESTION OF STANDARDIZATION. USING CALLAGHAN REPORT AS BACKDROP, EUROGROUP WAS PROPOSING A PROCUREMENT AGREEMENT TO BE EFFECTIVE ACROSS SEVERAL YEARS IN TO THE FUTURE. THE EUROGROUP MEMBERS REALIZED THAT MORE WORK WAS NEEDED, BUT HOPED SECRETARY SCHLESINGER COULD AGREE IN PRINCIPLE. THE EUROGROUP MEMBERS WOULD LIKE TO TASK THE  
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EUROGROUP NATIONAL ARMAMENTS DIRECTORS (EURONADS) TO WORK UP SOME SPECIFIC PROPOSALS FOR CONSIDERATION IN THE COUNCIL OF NATIONAL ARMAMENTS DIRECTORS (CNAD) ON WHICH BOTH THE UNITED STATES AND FRANCE ARE REPRESENTED. MASON

WISHED TO THROW THIS EUROGROUP INITIATIVE OPEN FOR DISCUSSION.

2. MINISTER VREDELING (NETHERLANDS), LATER SOMEWHAT ECHOED BY MOD VAN DEN BOEYNANTS (BELGIUM) SAID THAT THE EUROPEANS MIGHT WISH TO CONSIDER A WESTERN EUROPEAN UNION (WEU) OR EUROPEAN COMMUNITY (EC) VEHICLE AS A POSSIBLE ALTERNATIVE TO EUROGROUP BUT IN ANY EVENT HE THOUGHT IT IMPORTANT THAT EUROPEANS BE ABLE TO ACT AS "REAL SPEAKING PARTNERS OF THE UNITED STATES"-- APPARENTLY MEANING POWERFUL AND ORGANIZED. VREDELING MENTIONED EUROGROUPS INTENTION OF HOLDING A SPECIAL EUROGROUP MEETING THIS AUTUMN TO DECIDE ON HOW TO ORGANIZE FOR FACING UP TO THE UNITED STATES IN THESE LONG TERM STANDARDIZATION PREMISES.

3. SECRETARY SCHLESINGER WELCOMED THE GENERAL THRUST OF THE EUROGROUP ACTION. THE FIRST POINT HE WANTED TO MAKE IN RESPONSE WAS THAT IT WAS IMPORTANT FOR NATO TO CREATE NEW INSTITUTIONS CAPABLE OF CONSIDERING THE DESIRABLE FORCE STRUCTURES AND RELATED REQUIREMENTS FIVE OR SEVEN YEARS HENCE, AND THUS IDENTIFY PROPER OBJECTIVES FOR INITIATIVES IN STANDARDIZATION. HE FELT THAT NATIONAL ARMAMENTS DIRECTORS MIGHT NOT BE THE RIGHT PERSONS TO SUPERINTEND THESE NEW INITIATIVES. HE THEN DEPLORED THE LONG HISTORY OF EXCESSIVE PROTECTIONISM IN NATIONAL ARMAMENTS INDUSTRIES EVERYWHERE AND CALLED FOR COMPETITION WITH A VIEW TO COST EFFECTIVENESS ENROUTE TO STANDARDIZATION. THE OBJECTIVE, HE SAID, IS NOT ONLY STANDARDIZATION BUT ALSO LOWER UNIT COSTS SO THAT FUTURE FORCE STRUCTURES CAN BENEFIT BY BEING IMPROVED OR EVEN INCREASED. WITH THESE KINDS OF UNDESTANDINGS, HE WOULD WELCOME THE ESTABLISHMENT OF A TWO WAY STREET. HE REFERRED TO THE CULVER NUNN AMENDMENT AS A GOOD START OF PERMITTING THE UNITED STATES TO PARTICIPATE AND EXPRESSED THE HOPE THAT IT WOULD PASS CONGRESS. HOWEVER, HE EXPRESSED HIS CONCERN OVER POSSIBLE INTERPRETATIONS OF THE "TWO WAY STREET" IDEAS AS LEADING TO A DIVISION OF MARKETS VIA CARTEL ARRANGEMENTS THAT WOULD ARTIFICIALLY SUSTAIN HIGH COST PRODUCERS AND THUS RESULT IN REDUCING THE EFFECTIVENESS OF FORCE STRUCTURES.

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4. CONTINUING, SECRETARY SCHLESINGER SUGGESTED THAT THE SYG CONSIDER INSTITUTING A NATO ARRANGEMENT FOR THE EUROGROUP INITIATIVE THAT COULD FUNCTION CONTINUOUSLY, UNLIKE THE SEMI-ANNUAL NATO MEETINGS. ANY SUCH INSTITUTIONAL ARRANGEMENT SHOULD, HE REPEATED, BE TIED TO THE PLANNING FOR FUTURE FORCE STRUCTURES. REFERRING TO THE CALLAGHAN REPORT, HE NOTED THAT IT SUGGESTS THE NEED FOR EUROPEANS TO GIVE PRIORITY ATTENTION TO THEIR OWN PROBLEMS OF INEFFICIENT DUPLICATION, SAYING THAT HE BELIEVED A HIGH DEGREE OF COOPERATION WITHIN EUROPE WAS VIRTUALLY A PREREQUISITE TO THE KIND OF STANDARDIZATION ENVISIONED IN MINISTER MANSON'S EUROGROUP INITIATIVE, WHICH, HE REPEATED, HE ENTIRELY WELCOMED. THE OBJECTIVE OF ANY PARTICIPATING NATION MUST BE THE MOST EFFECTIVE WEAPONS FOR ITSELF;

IT MUST NOT BE TO CONCENTRATE ON MERE SWAPPING OF EQUIPMENT IN ORDER TO ACHIEVE BALANCE OF PAYMENTS.

5. SYG LUNS FOLLOWED SECRETARY SCHLESINGER BY NOTING THAT HE AND ASYG TUCKER HAD ALREADY BEGUN DISCUSSING THE QUESTION OF HOW TO ORGANIZE WITHIN NATO FOR THE PURSUIT OF THE EUROGROUP STANDARDIZATION INITIATIVE. ITALINA MOD FORLANI THEN READ A PREPARED STATEMENT, PART OF WHICH SECRETARY SCHLESINGER LATER REFERRED TO AS SUGGESTING AN ALMOST CARTEL LIKE DIVISION OF PRODUCTION FOR ITS OWN SAKE. NORWEGINA MOD FOSTERVOLL EXPRESSED GENERAL SUPPORT FOR THE EUROGROUP INITIATIVE, NOTING THAT CONSIDERABLE TIME AND WORK WOULD BE NECESSARY. SYG LUNS REJOINED THAT THE DPC HAD NO INTENTION OF GOING INTO DETAIL AT THIS TIME, BUT WAS SIMPLY SEEKING AGREEMENT IN PRINCIPLE SO THAT PREPARATIONS COULD BEGIN.

6. MINISTER MASON TOOK THE FLOOR AGAIN TO STATE GENERALLY THAT THE EUROGROUP RECOGNIZED THE NEED FOR OBSERVING THE KINDS OF ECONOMIC CONSIDERATIONS (LONGER PRODUCTION RUNS, LOWER UNIT COSTS, ETC.) THAT SECRETARY SCHLESINGER HAD MENTIONED. HE WAS GRATEFUL TO THE SECRETARY FOR HIS GENERAL WELCOMING OF THE EUROGROUP INITIATIVE, WHICH HE BELIEVED SHOULD INDEED BE ORIENTED TOWARD A FORCE STRUCTURE. HE CONCLUDED BY REMINDING HIS EUROGROUP COLLEAGUES THAT THEY HAD PURPOSELY GONE SLOWLY IN ORDER TO ELICIT A GENERAL RESPONSE IN PRINCIPLE FROM THE UNITED STATES. IT WAS NECESSARY FOR EUROGROUP ITSELF TO CONSIDER HOW BEST TO PROCEED FROM HERE. SYG LUNS ALSO COMMENDED THE REQUIREMENT FOR COST EFFECTIVENESS IN STANDARDIZATION INITIATIVES, BUT NOTED THAT MILITARY MEN OFTEN POINT OUT THAT COMBAT EFFICIENCY AND INTER-CONFIDENTIAL

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OPERABILITY OF EQUIPMENT CAN BECOME SO IMPORTANT THAT SOMETIMES AN ECONOMIC PENALTY OF SOME KIND MAY HAVE TO BE ACCEPTED. CHAIRMAN OF THE MILITARY COMMITTEE ADMIRAL HILL-NORTON SOMEWHAT LATER SUPPORTED THIS POINT OF THE SYG BY NOTING THAT, AFTER ALL, THE MAIN OBJECTIVE OF STANDARDIZATION AND OF THE EUROGROUP INITIATIVE IS TO SATISFY MILITARY REQUIREMENTS.

7. SECRETARY SCHLESINGER THEN REMARKED THAT EVERYONE SEEMED TO BE COMING TO A MORE PRECISE DEFINITION OF WHERE IT WAS DESIRABLE TO GO. WHAT WE SEEK, HE SAID, ARE THE BENEFITS OF COMPETITION LEADING TO STANDARDIZATION AND INTEROPERABILITY, NOT, REPEAT NOT, TO CARTELIZATION. HE WANTED TO UNDERSCORE THIS POINT BECAUSE PROTECTIONISM CAN REAPPEAR IN VARIETY OF FORMS. THE EUROPEANS SIMPLY MUST DEMONSTRATE THEIR CAPABILITY TO PRODUCE HIGH TECHNOLOGY EQUIPMENT AT COMPETITIVE PRICES; UNTIL THEY DO, THE UNITED STATES CANNOT GUARANTEE ANYTHING ABOUT A TWO WAY STREET. THERE IS, HE SAID, PLENTY OF OPPORTUNITY NOW FOR EXERCISING COMPARATIVE EUROPEAN ECONOMIC ADVANTAGE IN THE PRODUCTION OF CERTAIN EQUIPMENT MORE COST EFFECTIVELY THAN IN THE UNITED STATES -- FOR EXAMPLE, CERTAIN GROUND FORCES EQUIPMENT THAT IS NOT NECESSARILY HIGH TECHNOLOGY. HE SAID HE WANTED TO STRESS THESE LATTER POINTS SO THAT NO ONE

LISTENING TO HIM WOULD LEAVE THE ROOM WITH THE WRONG IMPRESSION  
OF WHERE HE STOOD.

8. FOLLOWING A FEW MORE NOT VERY CONSEQUENTIAL INTERVENTIONS BY  
MODS LEBER (FRG), VREDELING, AND RICHARDSON (CANADA), THE DISCUSS-  
ION ON THIS SUBJECT ENDED WITH SYG LUNS SAYING THAT HE HOPED IT  
WOULD BE POSSIBLE AT THE NEXT MEETING OF THE DPC IN DECEMBER  
TO CONSIDER WHAT PROGRESS HAD BEEN MADE ON THIS SUBJECT IN  
NATO CAPITALS AND WITHIN THE EUROGROUP. BRUCE

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MADRID  
USNMR SHAPE  
USCINCEUR

USLOSACLANT  
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CINCUSAREUR  
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